

B. Provision of the filings

SCI's application requests authorization to modify the Company's tariff and service offerings in five areas:

1. Provide the Company with the regulatory flexibility to use fractional minute billing for usage after the first minute in place of full minute billing; not to be implemented immediately.
2. Change the minimum/maximum rates for basic service and the range of rates charged for optional features.
3. Provide two additional rate bands for cellular numbers and usage.
4. Change the range of rates for the Attempt Charge for Incomplete calls.
5. Allow the offering of promotional discounts on cellular numbers and usage charges.

III. POSITIONS OF PARTIES AND INTERVENORS**A. Position of SNET Cellular, Inc.**

In addition to pre-filed testimony and testimony provided through cross examination of the two company witnesses, SCI responded to staff requests for additional data and submitted a Brief and Reply Brief. SCI's stated position is that:

1. The proposed tariff changes will allow the Company to compete with the same regulatory flexibility that the Department has granted Metro Mobile.
2. The Company proposes to eliminate the charge for incomplete calls that have annoyed end-users who are not charged for similar calls over the wireline switched network. One consequence of end-user dissatisfaction is that many resellers do not pass on the charge but recover the cost of the attempt charge from local revenues.
3. The lower rates associated with the expanded rate bands and discounts on optional features and promotions are intended to stimulate the use of optional features, to raise call completion, to increase market development by rewarding resellers who achieve higher penetration levels of the market, and, ultimately to increase revenues for the Company.
4. SCI's proposed pricing structure is intended to foster market growth and encourage all resellers.
5. The concept of contribution, is neither relevant nor appropriate in this proceeding. SCI operates in a competitive market and any contribution requirement would place a burden on SCI not placed on Metro Mobile. Furthermore, a contribution would be a charge on SCI, a charge that is a violation of federal laws, FCC regulations, State law, and DPUC regulations and previous Agency decisions.

6. Both cellular service bulk providers, SCI and Metro Mobile, provide a contribution through the local network interconnection charge paid to the local exchange telephone companies.
7. The Authority did not order imputation of contribution in the Decision issued within 84-08-16 nor did it require monthly calculation of contribution, in part because the Authority had not resolved all the questions regarding the regulation of the new offering.
8. No contribution would have been forthcoming from the first two years of operation (1985 and 1986) since there was no positive amount available, employing traditional contribution calculations. The absence of contribution was due to relatively large capital expenditures, other high start-up expenses, and low initial revenues.
9. CSB proposals either do not reflect actual variable costs, such as air time for call forwarding, nor do they require technical capabilities not currently available (hot line service), or are not available under either existing or proposed tariffs. Swapping numbers and accounts among resellers would undermine the informational integrity of the MSTO and accounting systems.
10. End-rating the banded tariff rates and the discounts proposed would result in an unexpected and substantial rate and revenue decrease if implemented with negative financial impact on SCI. Lengthening the time for payment to SCI by resellers would result in SCI financing reseller receivables.

B. Position of Cellular Service Bureau, Inc.

Cellular Service Bureau, Inc. participated in these proceedings by providing pre-filed testimony, testimony under cross examination of Steven Shore-CSB Managing Director, a Brief, and a Reply Brief. CSB's position with respect to SCI's proposed tariff changes is that:

1. CSB supports most of the proposed tariff changes requested by SCI. CSB is concerned that the structure of the banded rates and some of the proposed discounts do and will favor a SCI-affiliated company (SNET MobileCom) over competing resellers of cellular service regardless of SCI's intent. CSB's proposed changes would not increase rates for SNET MobileCom but would extend the benefits of lower rates to other resellers.
2. All charges that decline on a per unit basis as volume increases should be end-rated so that when a reseller achieves the next higher level of volume, the resellers will receive the benefits of the lower prices for all previously purchased units of services and will encourage passing through lower prices to end users.

3. A number of charges associated with activation or use of cellular number activation, call waiting, call forwarding, and the return of a cellular number should be reduced or eliminated. SCI charges for these services are not justified by costs. In the case of a cellular number, these numbers are a public resource not belonging to SCI, and resellers should continue to be allowed to return individual numbers rather than have to pay for the numbers until they acquire 25 numbers to return in a block.
4. The billing period should be increased to reflect the realities of billing process; otherwise, resellers will continue to implicitly finance SCI operations.
5. Resellers should be allowed to transfer cellular numbers and the associated customer accounts among themselves rather than have one reseller terminate an account and the other open an account in order to transfer a customer. The result is unnecessary costs and aggravation for end users.
6. SCI's proposed change to allow promotional discount periods will result in the power to deregulate itself for limited periods to the detriment of the resellers and end users. Creative use of the minimum-maximum rate structure which SCI proposes would result in de facto deregulation of SCI. For this reason, SCI should not be permitted to implement a rate change simply upon notification to the subscribers and the DPUC. In addition, changes in the effective rates should require more than notification. They should require notice and an opportunity to be heard as well as stronger measures to insure appropriate regulatory control.
7. SCI is inconsistent with respect to its pricing process justification with costs, benefits to the user, and beliefs about market behavior and penetration levels of resellers cited at different times for various pricing decisions.

C. Position of the Division of Consumer Counsel

Division of Consumer Counsel participated through cross examination of witnesses and submission of a brief and a reply brief. Consumer Counsel's position is that:

1. DCC supports fractional billing, the removal of attempt charges, and calls to E-911 without charge. DCC takes no position with respect to the other proposed changes in the tariff.
2. Revenues from SCI and from SNET MobileCom Inc. should be treated above the line; i.e., included in regulated revenue until a complete separation of operations audit is completed and reasonable allocation of costs method and cross charging process is implemented.

3. DCC is most concerned about the cross-subsidization of competitive or semi-competitive activities by regulated monopoly services, particularly in the area of corporate services (common costs), capital costs, good will, and name recognition.

D. Metro Mobile

Metro Mobile conducted no cross examination, presented no Briefs and stated no position on the proposed tariff changes or accounting treatment.

E. Southern New England Telephone

SNET presented no testimony nor briefs independent of SNET Cellular, Inc.

F. Other Participants

Two letters urging speedy acceptance of SCI's proposed tariff changes were received from Connecticut Telephone & Communication Systems and American Mobile Communications, Inc., both resellers of cellular service.

IV. AUTHORITY ANALYSIS

The Company has proposed revisions to its Bulk Domestic Public Cellular Radio Telecommunications Service Tariff. The existing bulk cellular service tariff was originally filed by the Company in August 1984 and a Decision in Docket No. 84-08-16, Southern New England Telephone Company Tariff Filing to Provide Bulk Domestic Public Cellular Radio Telecommunications Service, was rendered by the Department on January 16, 1985. In that Decision, the Authority found that cellular service would meet the public needs of and provide benefits to Connecticut businesses and consumers.

A. Bulk Cellular Service and Competition

In spite of an expressed desire to achieve the benefits of competition, the Federal Communication Commission recognized the spectrum and technical limitations on the number of providers and, ultimately, subscribers to cellular service. Therefore, the FCC opted to license only two bulk cellular providers in each geographic area, which it believed constituted effective markets. As franchised duopolies and with ultimate limits to entry by resellers, the FCC recognized the potential for anti-competitive behavior of cellular providers and supported state price regulation. With the recent operational start of a second bulk cellular provider, Metro Mobile, and given the limited number of cell sites that Metro Mobile has constructed to date, "effective" competition cannot be said to exist currently in Connecticut's bulk cellular market. The Department has striven for a more competitive and flexible market place for cellular service offerings. For example, Connecticut does not regulate cellular resellers; and bulk cellular providers are allowed a range within which to price their offerings.

However, this flexibility does not imply that the Authority is not concerned with the potential for cartel pricing behavior by either the bulk providers or by the resellers. The potential for cross-subsidization by the affiliated local telephone company cannot be ignored. The Authority will therefore remain diligent in its monitoring of pricing and other market behavior by bulk cellular service providers.

The Authority is also concerned with preventing market rigging or other anti-competitive behavior in bulk cellular service. Evidence in the instant docket is insufficient to show that banded pricing policies have yielded unfair advantage to SCI's affiliated company, SNET MobileCom, Inc. One reseller, CSB, has stated that SCI's proposed discount rate structure favors only one reseller, SNET Mobilecom, and therefore provides an unfair advantage to SCI affiliate over other resellers. Although SNET Mobilecom may be the only reseller currently poised to take advantage of the upper level discount proposed by SCI, rapid growth of the cellular market in Connecticut and the increasing numbers of cellular customers overall would seem to indicate that this situation will not prevail. The Authority stresses that it will continue to monitor bulk cellular providers on an ongoing basis and will provide an opportunity to reargue volume-pricing/discount rate structures as conditions warrant. In addition, the Department will examine SNET's affiliate transactions and relationships in a forthcoming audit, and will thoroughly reexamine the status of bulk cellular service and competition 18-months after the start-up of Metro Mobile as required in Section 2 of the Department's Regulations pertaining to the "Conditions Standards and Procedures for Regulating Cellular Mobile Telephone Service."

B. The Issue of Contribution

The Authority clearly expected contribution to flow from the wholesale cellular service as an operating division of SNET, the local exchange telephone company. The Authority's analysis in 84-08-16 is quite clear in this regard. Our expectation was based in part on representations made by the management of SNET, SCI and its predecessor, SONECOS in submittals made in the form of a contribution analysis in Docket No. 84-08-16. A tariff revision is the primary focus of this proceeding, and the issue of contribution will not be determined in this Decision. However, the Department will continue to carefully review and monitor this situation. The impact of later decisions and interpretation of regulations with respect to contribution will be examined through other proceedings.

C. Cost and Revenue Analysis

In support of its proposal, the Company submitted a financial summary for its wholesale cellular service. SCI submitted a Long Run Incremental Analysis (LRIA) indicating that the proposed lower limits to the pricing ranges would not place the Company in an adverse financial condition. Included within this summary was the estimated cumulative present worth of net income for its proposed minimum rates, effective rates and maximum rates. The Company defined positive net income as the excess of revenues over expenses and applicable taxes for a given period. In addition, it noted that the cumulative present worth of net income summarizes the value of net income over the five year study period taking into account the value of money. Lastly, SCI testified that it's results of the study indicate that any combination of

the rates between the minimum and maximum rate levels, will provide for a net positive income. SCI estimated that the cumulative present worth of net income for its minimum rates to be \$18.15 million, for its effective rates, \$33.18 million and for its maximum rates, \$25.44 million all generated over the life of the study period.

Based on experience to date, SCI's LRIA studies are conservative, with actual results measured by net income substantially better than the projections. Industry studies submitted by SCI supported the prospect of continued growth in cellular service demand with the earlier studies' demand projections for the larger markets surpassed by events. Even in the face of competition from a second bulk supplier, the wireline affiliated companies continued to prosper, according to these reports.

Therefore, the Authority does not expect implementation of the proposed tariff changes to adversely impact on SCI's earnings. We believe that the current Connecticut cellular market place requires the flexibility so that each cellular carrier can effectively compete. Therefore, SCI's expectation of lowered net income due to the presence of Metro Mobile seems unlikely; rather, SCI's net income will probably continue growing, possibly at a slower rate.

Based on the Department's review of SCI's financial analysis and other evidence submitted, the Authority believes that the estimated financial results can be reasonably relied upon in the current cellular environment. Therefore, the Authority finds that the Company has satisfactorily sustained its burden of proof.

Unlike wireline switched telephone service, cellular service companies are not required to conduct detailed cost analyses. CSB estimates were based on industry experience with total variable costs measured by gross margin. The appropriateness of applying such a ratio to individual cost elements is questionable. Nor could SCI provide detailed cost studies based on engineering cost analyses. The individual cost analyses submitted in past dockets and summarized in late file exhibit 5 also depended on estimates.

The application of regulatory flexibility in the cellular telephone market is an appropriate mechanism to encourage competition. As the costs of providing cellular telephone service change more rapidly as market growth and competition develop, so individual precise cost numbers may become less significant than in a traditional rate of return regulation environment. Nationally and within Connecticut, similar declines in the costs and prices of cellular service are appearing, particularly with respect to equipment costs, which are very competitive and the largest cost component from the end user perspective. As previously stated, the Authority will review market results but, at this time, will await additional evidence from the presence of a second bulk supplier before making any decisions on the appropriateness of tightly controlled, cost based rates or modifying current flexible rate mechanisms.

D. SCI's Proposed Tariff Revisions

In the instant application the Company has proposed five specific revisions to its existing bulk service tariff. These include (1) the introduction of fractional minute billing for usage above the first minute of usage; (2) a change in the minimum-maximum rates in the basic service chart and a change in the range of rates for optional features; (3) the provision of additional rate bands for cellular numbers and usage; (4) a change in the range of rates for the Attempt Charge for incomplete calls; and (5) the offering of discounts on cellular number and usage charges. In addition, the Company has proposed revised tariff language which, if approved, would allow it to suspend rates and charges during limited promotional periods. Finally, the Company has included the provision for all calls made to an emergency number, e.g., 911, not to be charged to the cellular subscriber. SCI testified that the instant filing would not increase current rates for existing customers but allow it to offer to its customers a lower overall cost of service.

As previously noted, the DCC supports certain proposed revisions and did not take a position on others. The DCC did state that it actively supports the proposed tariff revisions that would eliminate the attempt charge for incomplete calls, provide for fractional minute billing, and allow calls to be made to the 911 emergency number without any charge. Lastly, the DCC states that since cellular competitors participated in the hearing, that they are best able to advocate the fairness and impact of the proposed tariff revisions. In addition, while CSB has proposed several revisions to SCI's bulk service tariff, in its December 31, 1987 letter to the Department, CSB supported many if not most of SCI's proposed tariff revisions.

1. Fractional Minute Billing

SCI's current bulk cellular tariff provides that each fraction of a minute of usage, after the initial minute, is to be rounded up to the next minute. The Company has in the instant filing proposed that each fraction of a minute following the minimum one minute amount be at its option rounded up to the next 30 seconds. The Company has also proposed that this charge be utilized in conjunction with its flexible tariff schedule. However, SCI has not proposed to implement this change at the present time. Lastly, SCI testified that, if approved, it would provide the Department with a 30-day advanced notice of any changes to its billing. CSB in general supports SCI's proposal. In its December 1987 letter to the Department, CSB stated that fractional minute billing will more closely reflect the true cost of cellular usage benefiting the end-user as well as the reseller.

SCI testified that it is proposing this change because its competitor, Metro Mobile, currently bills its customers in this manner. It stated that it would implement this change at a time when market conditions warranted it. SCI defined market conditions as a broad term encompassing such items as customer needs, network coverage, quality of service, pricing flexibility and actions of its competitor. In addition, the Company estimated that implementation of the 30-second fractional billing would result in a decrease in the Company's revenues of approximately \$500,000. It based this estimate on its own usage data as well as data generated from the cellular industry.

The Authority notes that the Company's estimates do not account for increased usage, decreases in costs and increased subscriptions. These factors in our opinion could most likely reduce the Company's estimated revenue loss from its proposed tariff changes and may even increase the Company's revenues. Therefore, we do not expect implementation of this type of billing to adversely impact SCI's earnings. In fact, during the hearing, the Company acknowledged that the resulting loss from implementation of this type of billing could be nothing at all. As such, the Authority finds SCI's fractional minute billing proposal a competitive response to Metro Mobile and acceptable as filed.

2. Basic Service Rates and Charges

In its Decision in Docket No. 84-08-16, the Authority approved the Company's proposed minimum-maximum set of rates and charges for cellular basic service for items such as basic cellular usage, optional features and nonrecurring charges. The Company testified during that proceeding, that it would not impose any rate or charge less than the minimum nor greater than the maximum and would notify its subscribers and the Department at least 30 days prior to the effective date of any change in rates or charges. In addition, SCI witnesses testified that the this type of "flexible" schedule would allow SCI to react competitively changes in the market place.

SCI has proposed in the instant filing to revise its minimum-maximum range for basic service rates, i.e. the monthly cellular number rate and associated usage charges. It proposes to decrease the minimum side of the monthly access rate range for cellular numbers from \$20.00 to \$0.00. The maximum side of the flexible tariff range would remain at the current \$45.00 per month. In addition, SCI has proposed to decrease the minimum charge per minute of usage of \$0.16, for peak periods and \$0.11 per minute for off peak periods. In lieu of these charges, SCI has proposed that the minimum rate per minute charged for peak and off peak periods be \$0.05. Further, the Company proposes to increase the maximum rate per minute of usage from \$0.45 for peak and \$0.30 per minute for off peak periods to \$0.65 for both. Lastly, the Company has proposed to change the range of rates for its optional features. Currently SCI's flexible tariff range provides a minimum dollar rate per month for each cellular optional feature. The present minimum rate that could be charged is \$1.00. SCI in the instant application has proposed to reduce the minimum monthly rate of \$1.00 to \$0.00.

SCI again attributes the above changes to the recent entry of its competitor, Metro Mobile into the Connecticut cellular market place. According to SCI, the Company's proposed changes would provide it with the opportunity to be competitive with Metro Mobile. Lastly, SCI testified that based on the results of an incremental cost analysis that the Company conducted, the proposed range of rates is above cost and will provide a profit.

During these proceedings, SCI was questioned as to when it would lower the effective rate for monthly access to the proposed minimum of \$0. The Company's witness testified that such a decision would be dependent upon market conditions. The Company also testified that if it did charge a monthly access rate of \$0, that the cost of providing access would be recovered from the rates charged for other cellular service elements, and not on a rate element-by-rate element basis. Lastly, the Company expected to maintain a rate for network usage, regardless of the monthly access rate.

CSB, testified that "creative use" of the minimum-maximum rate structure which SCI proposes would result in de facto deregulation of SCI. For this reason, SCI should not be permitted to implement a rate change simply upon notification to the subscribers and the DPUC according to CSB. CSB further argues that changes in the effective rates should require more than notification, that they should require notice and an opportunity to be heard and that stronger measures are necessary to insure appropriate regulatory control.

The Authority has in past decisions approved individual rates and charges which did not cover their direct economic costs. We believe such a policy to be appropriate when effective competition exists. In those cases we determined that when a combination of rates and charges was implemented, the resulting revenues would exceed the service's overall economic costs. In determining whether proposed rates cover their direct costs, the Authority believes that a cost of service analysis for ratemaking purposes should, to the extent possible, examine service components on an element by element basis. Therefore, based on the above, the Authority finds the Company's proposal to revise its basic service rates and charges flexible schedule to be acceptable as filed.

Contrary to CSB's position that creative use of the minimum-maximum rate structure and promotional discount will result in a de facto deregulation of SCI, the Authority has final approval of any change in effective rates. In addition, the Department can direct at any time, on its own motion, SCI to submit any data necessary to monitor SCI's competitive performance within the Connecticut cellular service market place. Therefore the Authority find CSB's argument without merit

CSB's position is that changes in the effective rates require notice periods and opportunity to be heard. The Department has provided, since the inception of flexible tariffs, this opportunity to all customers alike. In addition, the Authority believes 30 days to be an adequate period of time for SCI to notify its customers while providing the customers with ample amount of time to inform the Department of any objections with respect to any planned rate changes.

Lastly, CSB has objected to the monthly effective rate for each optional feature per cellular telephone number. According to CSB the effective rates for these items should be zero. In addition, it testified that SCI incurs little or no cost when activating an optional feature and that SCI has previously accounted for these costs.

The Authority believes that SCI does incur a cost to activate optional features. We find that these costs are incremental in nature and SCI's flexible rate schedule adequate in recovering them. We believe that economic costs for services rendered should be recovered directly from rates charged. While the present system of indirect cost recovery does not always provide for this, we believe the flexible rate structures implemented by SCI and Metro Mobile to be adequate. Given our earlier discussion, the Authority is of the opinion that SCI is satisfactorily recovering these incremental costs.

3. Additional Rate Bands

The Company's current bulk cellular tariff offers rates and charges dependent upon the total customer requirements for cellular numbers and the total usage incurred by each customer in a given month. SCI has proposed the addition of two price bands for cellular numbers and usage. According to the Company, its proposal, if approved, would stimulate market development and network usage. The Company's existing and proposed cellular number and usage bands and filed effective rates are as follows:

Cellular Number Bands: (For each cellular number per month)

<u>Existing</u>	<u>Proposed</u>	<u>Filed Effective Rates</u> <u>\$ Rate Per Month</u> <u>Per Cellular Number</u>
(a) 1 through 500	1 through 500	\$26.00
(b) 501 through 2,000	501 through 2,000	25.00
(c) 2,001 through 5,000	2,001 through 5,000	24.00
(d) Over 5,000	5,001 through 10,000	23.00
(e) ---	10,001 through 20,000	22.00
(f) ---	Over 20,000	21.00

Usage Per Minute (Peak): (For originated and terminated calls)

<u>Existing</u>	<u>Proposed</u>	<u>Per Minute</u> <u>Charge(\$)</u>
(a) Up to and including 100,000	Up to and including 100,000	0.33
(b) 100,001 to 250,000	100,001 to 250,000	0.32
(c) 250,001 to 500,000	250,001 to 500,000	0.315
(d) 500,001 to 1,000,000	500,001 to 1,000,000	0.30
(e) Over 1,000,000	1,000,001 to 2,000,000	0.29
(f) ---	2,000,001 to 4,000,000	0.275
(g) ---	Over 4,000,000	0.26

Usage Per Minute (Off-Peak): (For originated and terminated calls)

<u>Existing</u>	<u>Proposed</u>	<u>Per Minute</u> <u>Charge(\$)</u>
(a) Up to 25,000	Up to 25,000	0.20
(b) 25,001 to 62,500	25,001 to 62,500	0.19
(c) 62,501 to 125,000	62,501 to 125,000	0.18
(d) 125,001 to 250,000	125,001 to 250,000	0.17
(e) Over 250,000	250,001 to 500,000	0.16
(f) ---	500,001 to 1,000,000	0.15
(g) ---	Over 1,000,000	0.14

Two of SCI's subscribers have urged acceptance of its proposed revisions. The Authority notes that neither subscriber maintained a position against SCI's proposed revisions to its access rate and usage schedules. In fact, one customer, Connecticut Telephone & Communications Inc., in a letter to the Department, supported SCI's proposal by stating that volume discounts will allow greater flexibility to control and manage costs, provide it with the ability to increase customer bases through innovative pricing plans, and allow each reseller to better position itself against heavier competition.

However, CSB has objected to SCI's proposed changes to add two bands to its usage schedule. CSB testified that SCI's proposed tariff rates "are skewed so that only one reseller (i.e. SNET Mobilecom) can benefit from the two highest discount bands." Additionally, CSB testified that the usage charges should be end-rated so that when the reseller achieves the next level of usage it will obtain the full benefit of the discount. CSB defined end-rating as a tighter blocking of the discount rates so that all resellers could achieve the discounted rates. According to CSB, end-rating would promote SCI's goal of providing incentives to resellers to lower their cost of cellular service over time. In doing so, all resellers could subsequently pass on to end-users the total benefit of what is achievable in an equal sense without any tariffed competitive advantages. In lieu of SCI's proposal, CSB has proposed to delete three usage bands and alter the remaining usage bands and resulting usage charges. The Authority notes that the proposed usage charges are within SCI's minimum-maximum range. In CSB's opinion, it's proposal would equally permit any and all resellers to derive the full benefit of volume discounts. CSB's proposal is as follows:

Usage Per Minute (Peak):
(For originated and terminated calls)

<u>CSB Proposal</u>	<u>Per Minute Charge(\$)</u>
(a) For usage up to 100,000	0.33
(b) From 100,001 to 250,000	0.32
(c) From 250,001 to 500,000	0.275
(d) For usage from 500,001+	0.26
(Eliminate SCI Bands e, f, and g)	

Usage Per Minute (Off-Peak):
(For originated and terminated calls)

<u>CSB Proposal</u>	<u>Per Minute Charge(\$)</u>
(a) For usage up to 25,000	0.20
(b) From 25,001 to 62,500	0.19
(c) From 62,501 to 125,000	0.16
(d) For usage from 125,001+	0.14
(Eliminate SCI Bands e, f, and g)	

In response to CSB's claims, SCI argues that its proposed new rate categories are an extension of, and consistent with its existing tariff. In addition, SCI claims that end-rating usage would result in a significant revenue decrease. SCI estimated this decrease to be between \$3,000,000 and \$4,000,000 a year.

The Authority finds SCI's proposed rate band schedules to be modified versions of those originally approved in Docket No. 84-08-16. The cellular industry in Connecticut has grown considerably since 1985 with subscription totals and customer usage outpacing early projections. We believe that the Company's instant proposal takes this growth into consideration, and provides for future growth. This growth in our opinion will result in an overall lowering of costs experienced by SCI and its resellers. As such, the record indicates and the Authority agrees, that the cost savings accrued would most likely be passed on to end-users in the form of lower rates and charges, further stimulating customer demand.

The Authority believes that all resellers including SNET Mobilecom will benefit from SCI's proposal. The proposed tariffs in our opinion are nondiscriminatory and equitable. While reseller's subscribing to equal levels of service to that of SNET Mobilecom will accrue the same benefits, it will also increase the dominant reseller's market share so that other reseller's may not have an equal chance to reach.

Additionally, the Authority takes into account the telecommunications industry as a whole, and is aware of several examples of tiered pricing and bulk volume discounts. Benefits to all users are experienced from these pricing schedules, which often induce increased usage as a result of lower rates. While CSB has proposed an alternative usage rate band schedule, it is apparent that the same issues it argues against relative to SCI's proposal, i.e., a rate structure more beneficial to the heavy user, are also present.

The Authority notes that the issue of greater benefits from greater quantities of service subscribed to exists within CSB's own proposed tiered schedule. We believe this to be inherent in any tiered rate schedule and could be viewed as adversely affecting the overall industry especially when an affiliate of the provider captures the majority of the market. In our opinion, this type of rate structure provides for lower costs, lower rates and for future growth and will be experienced by all subscribers in a given market. Finally, we are aware of Metro Mobile's cellular tariffs which also provide for tiered pricing. While no direct evidence was presented, we would expect Metro Mobile's own reselling entity to be able to benefit in the same manner as SNET Mobilecom.

Relative to CSB's proposal that the rate charged be end-rated, the Authority relies on SCI's testimony that such pricing actions could be detrimental to its revenue stream. While cellular subscription totals are continuing to increase, cellular service in Connecticut is not a mature industry. The Authority will not direct the Company to implement end-rating at the present time. However, this proposal is not without merit, and the Authority expects the Company to investigate this issue further and report back at a later date with its findings. Therefore, the Authority finds SCI's proposal to provide additional rate bands equitable, nondiscriminatory and acceptable as filed.

4. Attempt Charge

SCI currently has in effect a range of rates for an Attempt Charge for each call under one minute, which is not completed because of busy or no answer conditions. This charge was approved by the Department in Docket No. 86-03-12, Application of Southern New England Telephone Company for Approval of Proposed Tariff Concerning An Attempt Charge for Incomplete Calls.

The Company has proposed in the instant filing to reduce the minimum side of its flexible tariff for attempt charges from \$0.08 to \$0.00. If approved, the revised flexible tariff would range from a minimum of \$0.00 to a maximum of \$0.21. SCI has filed as part of its application, an effective rate of \$0.00. During the hearing SCI testified that the overall revenue impact resulting from its proposal would be between \$500,000 and \$1,000,000 per year.

In support of its proposal, SCI testified that this type of charge was no longer present in tariff offerings of other bulk cellular carriers, but recovered in the overall cost of providing cellular service. SCI witnesses testified that an attempt charge creates a disincentive to network usage. Additionally, SCI stated that its own resellers were not passing this charge onto their end-users. Lastly, the Company noted that Metro Mobile does not charge for this type of call. CSB in its December 1987 letter supported SCI's proposal, stating that elimination of the Attempt Charge would provide for instant economic relief and increased customer demand. Therefore, based on the above and in the interest of promoting competition in the cellular market, the Authority approves the Company's proposal to reduce the minimum side of the flexible tariff range for its Attempt Charge.

5. Price Discounts

The Company proposes to offer its resellers as part of the instant application price discounts. Cellular service discounts to resellers in Connecticut are not new to the Authority. Metro Mobile's tariffs contain a provision permitting it to discount its customer's total access and usage charges depending upon the length of service subscribed to. SCI's proposed discounts have taken two forms, volume-related service discounts and length of service contract discounts.

SCI testified that any reseller would be provided a service discount by agreeing to maintain for a selected period of time a certain level of activated cellular numbers. This discount would be applied to the reseller's total monthly bill for cellular numbers and usage charges and would not apply to charges for toll, optional services or other charges and credits. SCI further proposes that the service discount be for one or two year periods, and can be used in conjunction with a flexible tariff schedule. The proposed flexible tariff ranges from a minimum of 0% to a maximum of 10%. Lastly, the Authority notes that the Company's tariffs require that the maximum total discount provided to any subscriber for the volume of service and length of service discount not exceed 10%. The Company has as part of the instant application filed effective rates ranging from a low of 0% to 8.5%. SCI's proposed service discount schedule with filed effective rates is as follows:

<u>Band</u>	<u>Quantity of Cellular Numbers Activated</u>	<u>Service Discount (Applied to Total Cellular Number and Usage Charges)</u>	
		<u>Period</u>	
		<u>1 Year</u>	<u>2</u>
A	Up to 100	.0%	.0%
B	101 to 500	2.0%	3.5%
C	501 to 1,000	2.5%	4.0%
D	1,001 to 2,500	3.0%	4.5%
E	2,501 to 5,000	3.5%	5.5%
F	5,001 to 10,000	4.0%	6.5%
G	10,001 to 20,000	4.5%	7.5%
H	Over 20,000	5.0%	8.5%

The record indicates that the resulting discounts based on SCI's current subscriber's end user totals, would range from 2.0% to 4.5% for one year and from 3.5% to 7.5% for two years. The Authority believes that SCI's proposed discounts are in response to Metro Mobile's recent entry into the Connecticut market place and in our opinion, these discounts would result in benefits to SCI's customers and ultimately the cellular end user.

CSB does argue, however, that revisions to SCI's proposed discounts are not based on costs but rather on beliefs of the market. In addition, CSB claims the proposed discount schedule is skewed to benefit SNET Mobilecom and that only SNET Mobilecom could benefit from the two highest discount bands. Lastly, CSB states that there are no adequate regulatory safeguards to protect competitors of SNET MobileCom's Linux service from the beliefs of SCI.

While SCI has proposed one and two year periods for discount purposes, CSB did not take issue with SCI's proposed one-year discount period. Instead CSB has proposed its own discount schedule. It proposes to delete two discount bands and alter the remaining percent discounts applied. In addition, CSB believes that these discounts should be end rated so that when a reseller achieves band level b, c, d, e and f, it will obtain the full benefit of the discount. The Authority notes that the proposed discount percentages are within SCI's minimum-maximum flexible tariff range. According to CSB, its proposal would equally permit any and all resellers to derive the full benefit of volume discounts. CSB's proposed service discount schedule is as follows:

<u>Band</u>	<u>Quantity of Cellular Numbers Activated</u>	<u>Service Discount (Applied to Total Cellular Number and Usage Charges)</u>	
		<u>Period</u>	
		<u>1 Year</u>	<u>2</u>
(a)	Up to 100	.0%	.0%
(b)	101 to 500	2.0%	3.5%
(c)	501 to 1,000	2.5%	4.0%
(d)	1,001 to 2,500	3.0%	5.5%
(e)	2,501 to 15,000	3.5%	7.5%
(f)	Over 15,000	4.0%	8.5%

(Eliminate SCI's proposed Bands g and h)

The Authority finds SCI's service discount to be an expanded version of its tiered pricing schedule, i.e., monthly access rates and usage charges. The costs of providing cellular service items are recovered in revenues generated from the overall rates and charges for service imposed by SCI on all its end-users and the service discounts are not based solely on economic costs.

The Authority finds SCI's discount schedule to be equitable and nondiscriminatory. In addition, while CSB has proposed an alternative discount schedule, the same issues CSB opposes in SCI's proposal, i.e. discounts benefiting the heavy user, are also present. The Authority does not believe that SCI's discount schedule prevents resellers from accruing equal discount rates for equal levels of service subscription. In our opinion, the proposed discount schedule is nondiscriminatory and any reseller subscribing to the same level of service would experience an equal discount. Therefore, we find the SCI's proposed discount schedule acceptable as filed.

Relative to CSB's position that the discount be end-rated, the Authority does not find this to be appropriate at the present time. Since the cellular industry in Connecticut is an emerging competitive market CSB's proposal to end-rate discounts is premature. Such action in our opinion could impede SCI's ability to meet subscriber demand and adversely affect the provision of cellular service in Connecticut. Therefore, we reject CSB's proposal to require end-rating at this time.

In addition to the service discount noted above, SCI has requested approval to offer a discount based on the actual length of service that the reseller has taken continuously from the Company. SCI has chosen January 1, 1987 as the starting date of service for purposes of this discount. When implemented, the discount will apply to cellular number and usage charges. SCI's proposal is as follows:

<u>Months in Service</u>	<u>Discount (Applied to Cellular Numbers and Usage Charges)</u>
0 to 12	
13 to 24	
25 to 36	0 - 10%
37 to 48	
49 to 60	
Over 60	

As noted above the Authority believes that discounts will provide SCI's customers additional flexibility in the cellular market place. The combination of two discount offerings will maximize this flexibility, by allowing resellers to offer innovative service, most likely at lower costs and ultimately, lower monthly service rates and charges for the end-user. Therefore, based on the above, the Authority finds that the Company's proposed tariff revisions will not advantage either SCI or SNET Mobilecom and are fair, reasonable and consistent with the Department's requirements.

6. Promotions

The Company has as part of the instant application provided revised tariff language, permitting it to, during limited promotional periods, suspend rates and charges. SCI testified that it was proposing this change so that it would be provided with flexibility to respond to market conditions.

CSB argues against SCI's proposed tariff revision. In its Brief, it states that SCI has allowed itself a window which shall eliminate any regulatory safeguards. According to CSB, SCI's proposal would allow it the flexibility of being unregulated for limited periods of time. Lastly, it argues that it is not in the best interest of the consumer or the reseller to give a regulated industry the power to deregulate itself at will.

The Authority believes that the offering of service promotions on a limited basis is an acceptable means of increasing subscriber bases and stimulating demand. The Department has at various times and only after advanced notification to and prior approval by the Department permitted the Southern New England Telephone Company to conduct promotions. The Authority is not aware of any adverse effects resulting from these promotions. Relative to CSB's position that the proposed language change would allow SCI flexibility of being unregulated, the Authority makes it clear that it continues to maintain regulatory control over both SCI and Metro Mobile. Therefore, since these promotions are in effect rate changes, and as SCI's tariffs require, SCI will be required to notify the Department at a minimum of 30 days prior to the effective date of its intention to offer such promotions. This notification should include the period of time the promotion would be implemented, a description of the planned promotion, and the number of subscribers affected. Upon completion of the promotional period, the Authority will order SCI to report the results writing to the Department including any increase in the minutes of usage and/or number access lines subscribed to. Consequently we disagree with CSB position that SCI would be provided with the flexibility of being unregulated for limited periods of time. We find the Company's proposed tariff revision to include the provision of offering promotions acceptable, subject to the conditions outlined above.

7. Billing Period

CSB has proposed that the billing grace period be increased from 30 days to 75 days. While SCI's tariffs require that bills are due when rendered, the tariffs provide for a 30 day period in which bills may be paid. Bills not paid after the 30 day period would be subject to an interest charge.

CSB argues that the reseller is penalized since the timing of receipt of its revenues from end-users does not correspond to the timing of its payment of liabilities to SCI, and that resellers are carrying SCI's accounts receivable. SCI replies, however, that it provides each reseller with its billing information 5 to 7 days prior to rendering its bill. In addition, SCI stated that it is in its own best interest to minimize the period of time between rendering a bill for service and receiving payment for that bill in order to keep costs as low as possible. Finally, SCI testified that increasing this payment period would have the effect of financing reseller receivables, a customer benefit it chooses not to adopt.

The Authority is aware of SCI's billing practices and the procedures it employs when rendering statements to its customers for cellular service. Since billing includes some pre-payment and post usage charges, bill due dates do affect the cash flows of the individual companies. The further away the due date from the billing date, the less the resellers finance the bulk providers and the more the resellers are financed. We do not believe however, that the existing 30 day period to be a hardship to cellular resellers as CSB has implied. We find that 30 days is an acceptable amount of time for SCI to perform its billing functions while maintaining low costs. Lower billing costs, in our opinion provide SCI with another tool to actively compete in the cellular market. Lastly, the Authority notes that normal billing practices required in both competitive and noncompetitive industries to be approximately 30 days in duration. We do not believe that the cellular industry in Connecticut should differ, especially since SCI's competitor employs the same billing practices. Therefore, we reject CSB's proposal to require SCI to extend its billing period from 30 to 75 days.

8. Call Waiting/Call Forwarding

SCI's tariffs currently require calls placed to a cellular number which is using the Call Waiting or Call Forwarding features, and is 30 seconds or less in duration, to incur an Initial Period Charge. Calls greater than 30 seconds in usage will be billed as completed calls. It is noted that the Company's Initial Period Charge is used in conjunction with a flexible tariff with a minimum of \$0.05 to a maximum of \$0.21 for Call Waiting, and \$0.11 and \$0.21 for Call Forwarding. SCI has filed as part of its application effective rates for the Initial Period Charge to be \$0.10 for Call Waiting and \$0.15 for Call Forwarding.

CSB has proposed that the Initial Period Charge for Call Waiting and Call Forwarding be reduced to zero. CSB states that these service features do not utilize cellular telephone air time, but only MTSO capacity. Further, the MTSO switching hardware and software is a fixed expense and as a result the Initial Period Charge should not be applied additionally. SCI testified however, that Call Waiting and Call Forwarding do in fact utilize zone office, cell site trunks and MTSO switching capacity and accordingly the Company is attempting to recover these costs by charging the above usage rates.

The Authority believes that SCI does incur costs in conjunction with the provision of Call Waiting and Call Forwarding features. These costs are experienced regardless of the length of call. The Company has in our opinion developed equitable rates which are less than the normal usage charges imposed for one minute of usage. We believe that these charges are utilized to recover these costs and are fair and nondiscriminatory. As a result, we find CSB's proposal to be without merit.

9. Emergency Calls

In its initial application to the Department, SCI did not make a provision for the waiving of any charges associated with emergency calls, i.e. 911/E911. It has as part of the instant application included this provision in its revised tariffs. It is the opinion of the Authority that wholesale cellular carriers should provide calls to emergency numbers free of charge. Therefore, the Authority finds the Company's revised tariff acceptable as filed.

F. Return of Numbers and Customer Transfers

Although SCI can require return of cellular telephone numbers in blocks of up to twenty-five numbers, the Company has not done so. The presence of a second supplier will place some competitive pressure to be liberal on returned numbers as a way to maintain and build relations with resellers. However, should the Companies' policies change and prove to be a significant burden on resellers, retarding market development, the Authority may revisit this tariff requirement.

The Authority does not believe that sufficient evidence exists at this time to order the transference of end-users (at the end-users' requests) among resellers. Clearly, any such program will produce administrative costs and the potential for confusion, given the history of unwanted transfers among interexchange carriers and resellers of toll that has occurred in some states. Rather, cellular suppliers should study whether end-users will benefit significantly from such a program, and negotiate with the bulk providers, if a transference program is desirable, over methods, complaint resolution, and costs. The plan should then be brought before the Authority for approval.

V. FINDINGS OF FACT

1. Fractional minute billing would provide SCI with additional flexibility to effectively compete with the nonwireline carrier.
2. The Company's revisions to its minimum-maximum rate schedules are found to be fair, reasonable, not unduly discriminatory and consistent with Department requirements.
3. As the burden of proof is on the Company, we have relied on its evidence which indicates that the proposed minimum, effective and maximum rate combinations will generate revenues which will exceed or equal costs over the long term.
4. The provision of two additional rate bands will provide the necessary environment for further growth and maturity of the cellular industry.
5. Elimination of the Attempt Charge for incomplete calls will create a more fair and equitable treatment of end users.
6. Service discounts will result in benefits to cellular subscribers and ultimately the end user.
7. The Company's service discount is an expanded version of its tiered pricing schedule, i.e. monthly access rates and usage charges.
8. The proposed discounts are nondiscriminatory, and will provide customers with additional flexibility in the cellular market place.

9. The offering of service promotions on a limited basis is an acceptable means of increasing subscriber bases and stimulating consumer demand.
10. Lower billing costs will provide SCI with another tool to actively compete in the cellular market place.

V. CONCLUSIONS AND ORDERS

1. Based on the foregoing, the Authority approves the modified tariffs.
2. The effective date of the proposed tariff shall be the date of this decision and SNET Cellular, Inc. is directed to re-file the approved tariff pages, indicating said effective date within fifteen days of the date of this decision.
3. SNET Cellular, Inc. shall include with the Company's quarterly financial filings the contribution calculation based on the allowed rate of return of Southern New England Telephone Company.
4. The Company shall notify the Department at a minimum of 30 days prior to the effective date of implementation of any promotion that it intends to conduct. Such notification shall include the period of time the promotion shall be implemented, a description of the planned promotion, and the number of customers affected. Upon completion of any such promotion SCI is to report the results in writing to the Department, including any increase in the minutes of usage and/or number of access lines subscribed to.

We hereby direct that notice of the foregoing be given by the Executive Secretary of this Department by forwarding true and correct copies of this document to parties in interest, and due return make.

Dated at New Britain, Connecticut, this 30th day of March, 1988.

Otto C. Neumann }

Peter G. Boucher }

DEPARTMENT OF PUBLIC UTILITY CONTROL

Edythe J. Gaines }

State of Connecticut }

ss.

New Britain, March 30, 1988

County of Hartford }

I hereby certify that the foregoing is a true and correct copy of Decision, issued by the Department of Public Utility Control, State of Connecticut.

CERTIFICATE OF SERVICE

I further certify that where a date is inserted by the Department in the "Date Mailed" box below, a copy of the Decision was forwarded by Certified mail to all parties of record in this proceeding on the date indicated.

Date Mailed:

APR 7 1988

Attest:

Robert J. Murphy
Executive Secretary
Department of Public Utility Control



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC UTILITY CONTROL

April 27, 1988
In Reply, Please Refer To
Dkt No. 87-10-23:TE:PP

Mark W. Bluemling
Vice President - Finance
SNET Cellular, Inc.
555 Long Wharf Dr.
Room 752
New Haven, Connecticut 06511

Re: Docket No. 87-10-23, SNET Cellular, Inc.'s Proposed Revision to Its Tariffs

Dear Mr. Bluemling:

This is to acknowledge receipt of the Company's letter of April 11, 1988, informing the Department of its intention to offer a service promotion in compliance with the Authority's Decision issued in the above docket. Specifically, Order #4 of the Decision required that:

The Company shall notify the Department at a minimum of 30 days prior to the effective date of implementation of any promotion that it intends to conduct. Such notification shall include the period of time the promotion shall be implemented, a description of the planned promotion and the number of customers affected. Upon completion of any such promotion SCI is to report the results in writing to the Department, including any increase in the minutes of usage and/or number of access lines subscribed to.

It is noted that the Company intends to offer a three month service promotion for the period of May 11, 1988 through August 12, 1988. The Company states that during the promotion period it will: (1) suspend its Number Activation or Service Restoral charges; (2) reduce its rates for cellular numbers by \$6.00 per month; and (3) suspend its Hot Line Optional Feature Rate and Charge.

The Department directs the Company to submit to it no later than May 16, 1988, a copy of the notification material provided to its customers informing them of its intention to offer said promotion. In addition, besides the report the Company shall be filing with the Department in compliance with

Bluemling Letter
Dkt No. 87-10-23:TE:PP
April 27, 1988
Page 2

Order #4, it is further directed to submit another report at the promotion's conclusion. This report shall for the three month period prior to the implementation of its promotion separately list on a monthly basis, the cellular minutes of usage experienced by the Company, the total revenues generated, and the revenues generated relative to those items affected by the promotion. Additionally, the Company shall separately list for each month of the three month promotional period, the number of minutes of cellular usage that it experiences, the total monthly revenues accrued, the revenues it accrues during this period relative to each promotional item, and the revenues the Company could have accrued relative to each promotional item, had the promotion not been in effect.

Very truly yours

DEPARTMENT OF PUBLIC UTILITY CONTROL

Robert J. Murphy,
Executive Secretary

cc: Service List ✓

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STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL

DOCKET NO. 88-07-11

APPLICATION OF
SNET CELLULAR, INC.
FOR APPROVAL OF TARIFF
RE: PUBLIC CELLULAR RADIO EMERGENCY SERVICE

DECISION

NOVEMBER 9, 1988

DECISION

I. INTRODUCTION

A. Company Proposal

On July 13, 1988, SNET Cellular, Inc. ("SCI" or "the Company") filed with the Department of Public Utility Control ("Department"), an application requesting approval of a tariff to provide a new service entitled Public Cellular Radio Emergency Service, pursuant to §16-250b-4 of the Regulations of Connecticut State Agencies ("Conn. Agencies Regs."). The Company proposed an effective date of August 17, 1988.

B. Conduct of the Proceedings

Pursuant to Section 16-250(b) and Section 16-250(b)(4)(B) of the Regulations of Connecticut State Agencies ("RCSA"), the effective date was suspended and a public hearing was conducted to consider this matter fully. In accordance with Section 16-2(c) of the Connecticut General Statutes ("Conn. Gen. Stat."), this matter was assigned to a panel of three of the Department's five commissioners who constitute the Public Utilities Control Authority ("Authority").

Pursuant to a Notice of Hearing dated August 9, 1988, the Department convened a public hearing on this matter in the offices of the Department, New Britain, Connecticut on September 13, 1988, and continued it on October 6, 1988.

C. Parties and Other Participants

In addition to SNET Cellular, Inc., the Department recognized the Connecticut Department of Transportation ("DOT"), the Bureau of Statewide Emergency Telecommunications ("Bureau"); and Metro Mobile CTS, Inc. as parties to this proceeding. The Office of Consumer Counsel was recognized as a party to this proceeding but did not actively participate.

II. APPLICANT'S EVIDENCE

A. General

SNET Cellular, Inc. is located at 555 Long Wharf Drive, New Haven, Connecticut and provides bulk mobile cellular telephone services at wholesale tariff rates for resale by other companies to end-users. SNET Cellular, Inc. is a wholly-owned subsidiary of Southern New England Telecommunications Corporation, which is located at 227 Church Street, New Haven, Connecticut.